

Total Compensation Advisory Council (TCAC)
Minutes of the Meeting of January 24, 2003

Present: Alan Boisvert
Michael Coulter
Daniel Frelund
Patty Goodwin
Dorien Rawlinson
Senator Peggy Reeves
Deborah Roberts
Phil Savage

DPA Troy Eid
Ken Allikian
Jan Cotter
Jeff Schutt
Gena Trujillo
Jeff Woodhouse

Announcements: Mr. Eid called the meeting to order.

Mr. Eid asked for approval of the minutes of the November 8, 2002, meeting. The minutes were approved as written.

Total Compensation Legislation: On January 29th, Speaker Spradley will be introducing a total compensation bill. The bill would include the three elements of compensation: health insurance benefits, salary and performance pay. All of these elements would be tied to the total compensation survey. An element would need to be added to the survey for performance pay. The survey recommendations would be tied to all three elements.

Since everything would need to be tied to the survey it would ensure that future Executive Directors and Governors couldn't propose anything in the report and budget that isn't reflected in the survey. Mr. Eid indicated that would ultimately change priorities in the state budget. This process would indicate what is needed based on the survey in the different categories. The policy goal is to be competitive as an employer.

In terms of salary adjustments, there's nothing in the current salary survey law that says every employee gets the same adjustment; it says an employee in a classification has to get paid within the range. If an employee falls below a job range minimum, by law an adjustment would have to be done.

Mr. Eid indicated that the total compensation bill is the top priority for Speaker Spradley. The Governor's budget that was proposed was in balance with the September revenue estimates. Since the December estimates, the budget is \$220 million off. Senator Reeves indicated that \$300 - \$500 million more of base cuts will need to happen before the budget would be balanced.

Mr. Schutt offered to walk through the bill line by line, once it has been introduced. The concept of the bill is simple, but the mechanics of it are complex.

Mr. Coulter indicated that employees have appreciated being kept updated on the salary issues, and complimented Senator Reeves and Senator David Owen on this effort.

Mr. Boisvert asked if there would be a priority on total compensation to bring the insurance portion more up to where it should be. The proposal to the legislature on all three elements of total compensation would be based on survey results. The personnel director would provide a report to the legislature laying out an analysis of the highest priorities. Either the legislature agrees or disagrees. If they disagree there would be discussion to indicate what the priorities really should be and a bill would have to be passed. The legislature ultimately sets the priorities.

Mr. Coulter asked if the proposed language of the bill still indicates prevailing. Mr. Schutt indicated that the language might indicate competitive. "Prevailing" may not always address identified business requirements of the state in specific areas. However, we don't see the use of one word or the other as a radical change in our survey practices. Mr. Coulter noted that employees assume the worst if there's any change.

The state currently uses all of the available surveys to put together its salary survey recommendations. With health insurance benefits and performance pay being a part of total compensation, the information will be expanded to include the performance pay element.

Other Legislation: Jeff Woodhouse reported that January 29th is the deadline for introducing bills. One bill that DPA is working on involved the personal services statutes. It would make it easier for agencies to outsource. With this bill, DPA is hoping it will help the agencies gain greater efficiencies with their workloads as well as establishing performance-based outsourcing criteria. Representative Rhodes is sponsoring this bill.

There are a couple of PERA bills. One talks about allowing PERA to change their match and the other one changes the state contribution from 10.04% to 10.15%, effective July 2004.

House bill 1075 makes mandated health benefits coverage optional.

Governor Ralph Carr Day bill would designate a day in December as an optional holiday. Employees could have that day off in lieu of another holiday. It does not create another state holiday.

There will probably be an incentive bill that will be introduced. It will allow state agencies that have cost saving measures in place to retain a percentage of those cost savings and offer a portion back to employees as incentives.

There's an employment security bill for employees who take a leave of absence to fight wildfires. There is already a policy that allows that type of leave for state employees with their supervisor's discretion. Senator Fitzgerald was trying to focus the bill on private sector employees.

Benefits Update: There are approximately 39,000 employees who are eligible to participate in the benefits program. There have been about 28,000 employees enrolled in the health benefits plan in the last few years. There were seven medical health plans available, but these were reduced this year to the current five medical plans. The 4% increase in the state's contribution maintained the state contribution that the state had in 2002 and continued it into 2003.

Prior to the open enrollment period we had 27,314 employees covered during calendar year 2002. In 2003, there are about 3,100 that dropped the state's plan and 3,500 employees dropped dental coverage. The Benefits Unit is currently doing a cost analysis to verify the savings generated by using the scanning process for the open enrollment forms this year.

It is assumed that employees are either going to their spouses coverage or they are buying their own individual plans, or going un-insured. Employees who are buying individual coverage will drop our coverage once they are approved and enrolled on the individual plan. The Benefits Unit is expecting more employees to drop the state's plans during the first few months of calendar 2003.

The Benefits Unit is currently in the process of conducting a survey of the employees that did not enroll in the state's benefits plan for this year. The survey will be going out the end of January and the Benefits Unit will hopefully have a preliminary analysis completed by the end of February. Questions will include such issues as: income levels, dependents, reasons why they didn't join a state plan. The Benefits Unit will calculate the loss in the total number of covered dependents and provide this at the next TCAC meeting.

Mr. Coulter asked if there was a form letter that someone could download to indicate resignation from a plan. As this point the state does not have that, but will look into it as a means of gathering data on why coverage is dropped.

Additional Announcements: Mr. Allikian welcomed Dorian Rawlinson from the Division of Insurance as a new council member.

Mr. Coulter expressed concern that monies allocated for performance pay should be used for insurance and wait until the total compensation bill next year to allocate monies for the three elements. Mr. Eid noted that current budget and the priorities under the total compensation bill are really two separate things and the total compensation discussion must happen.

Tentative Agenda for February 28, 2003

Legislative Update

Benefits Insurance Survey and Enrollment Update